

Arizona School Facilities Board

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Governor of Arizona
Janet Napolitano

Interim Executive Director
Edward E. Boot

February 21, 2003

Dear Superintendent:

As you are aware, the controversy surrounding the cost of the Students FIRST program continues. While I know many of you would agree that the Students FIRST Law can be improved, I think the amount of good that has been accomplished and the amount of problems that have been fixed far outweigh the negatives of this program. The progress in building and repairing schools has been significant in nearly every district, and has benefited the majority of our schools throughout the State. I believe it is time for you, the vested parties and SFB partners in this program, to express your thoughts. Our legislators need to hear firsthand what you and your district think about Students FIRST. I have been amazed in the past year with the lack of understanding that exists with this Law, and the number of people floating ideas and comments that are self-serving and based on inaccurate information!

Preventive Maintenance Guidelines

On February 6, 2003, draft Preventive Maintenance Guidelines were presented at the monthly School Facilities Board for information. These guidelines were prepared by SFB staff in conjunction with an assembled committee of school district representatives, who will serve as the statewide peer group in the continuing evolution and final approval of these guidelines.

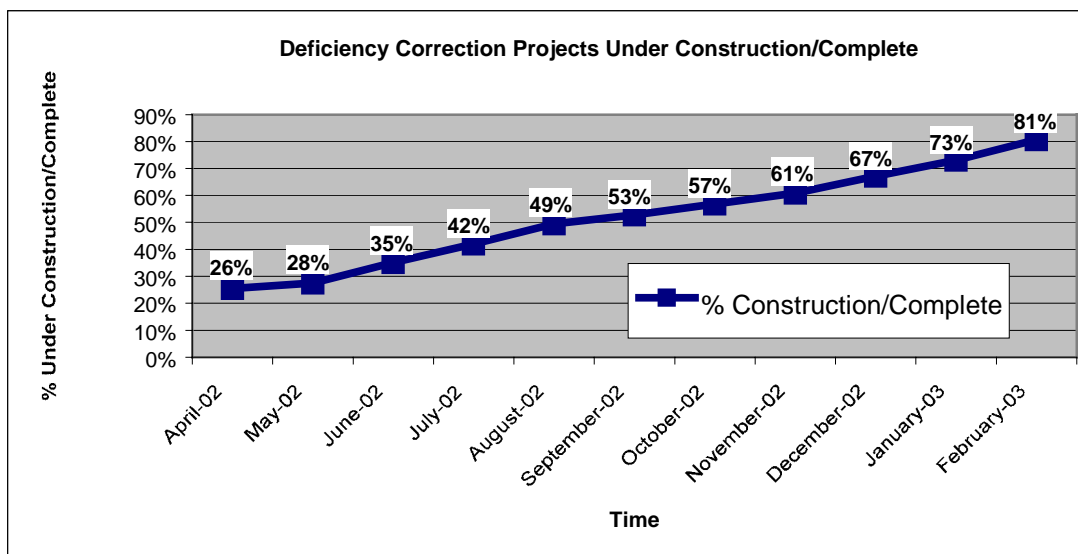
The SFB Board has instructed staff to begin statewide workshops to secure additional district comments and provide an overview of the program. We will be scheduling meetings throughout the state to present the PM Guidelines to Districts, and the schedule and locations will be posted on our web site and e-mailed to each district within the next two weeks. We plan to have a series of ½ day training sessions in Kingman, Flagstaff, Yuma, Tucson, Sierra Vista, and three in the Phoenix area.

The draft Preventive Maintenance Guidelines have been posted to our website for initial review. If you have any questions or comments, please send them to Tim Brand, Deputy Director Facilities at tbrand@sfb.state.az.us.

Deficiency Corrections Projects

As of January 31, 2003, 4,608 of the 5,988 (77%) deficiencies correction projects are under construction or complete, leaving 1,380 projects remaining. The present schedule continues to indicate that all projects will be awarded by the June 30, 2003 statutory date, and we continue to make excellent progress on this program. We appreciate all the cooperation and assistance that is occurring by you and your staffs. One concern however, is that the SFB will not have time to re-bid any projects after May 2003; it is important to pass on to your staff that the final specifications need to be reviewed and signed off by the SFB prior to bidding. Recently, we have had to re-bid several projects where district architects changed the final documents after review and this has caused delay. In May, this same action would probably lead to the non-award of this work.

The following graph shows the Deficiency Corrections progress and projections by month.



<u>Actual</u> <u>Award</u> <u>January</u>	<u>2/1/03</u> <u>Projects</u> <u>Remain</u>	<u>Projected</u> <u>Award</u> <u>February</u>	<u>Projected</u> <u>Award</u> <u>March</u>	<u>Projected</u> <u>Award</u> <u>April</u>	<u>Projected</u> <u>Award</u> <u>May</u>	<u>Projected</u> <u>Award</u> <u>June</u>
319	1,380	494	505	271	98	22

<u>Actual</u> <u>Dollars</u> <u>Award</u>	<u>2/1/03</u> <u>Dollars</u> <u>Remaining</u>	<u>Projected</u> <u>Dollars</u> <u>Award</u>	<u>Projected</u> <u>Dollars</u> <u>Award</u>	<u>Projected</u> <u>Dollars</u> <u>Award</u>	<u>Projected</u> <u>Dollars</u> <u>Award</u>	<u>Projected</u> <u>Dollars</u> <u>Award</u>

\$39M \$298M \$75M \$77 \$79M \$41M \$26M

Alternative Delivery Methods

The legislation that created the Alternative Delivery Methods (Design Build, CM@Risk, and JOC) require that the State Board of Education develop 'rules' for these processes. A draft copy of the rules, prepared by the SFB and a selected group of knowledgeable and interested parties, is now available on the SFB web site for review. After a comment period, these will be forwarded to the Board of Education for implementation. Please take the time to review and comment, and if you have any questions or comments, please e-mail Tim Brand at tbrand@sfb.state.az.us.

New School Awards

The SFB began the FY 2003 cycle of New School Awards in December and, to date, has awarded 15 new schools to the following districts: Apache Junction Unified, Cave Creek Unified, Chandler Unified, Crane Elementary, Deer Valley Unified, Dysart Unified, Florence Unified, Gilbert Unified, Isaac Elementary, Litchfield Elementary, and Somerton Elementary. These schools will house over 10,000 students, in 1,071,633 square feet, at an SFB award cost of \$109,196,378. We will continue awarding this year's new schools through April; the complete New Construction Plan will be available on the web site by the first week in May 2003.

A reminder on New Construction: In 2002, the SFB Board determined that any additional costs for site conditions in new school construction will first be authorized against the project's contingency fund, and subsequently, upon the depletion of the contingency fund, will be paid for with an increase to the project formula amount when approved. Site-specific conditions to the project may include, but may not be limited to: soils, seismic, water well, septic, and fire protection tanks.

Lease Purchase

The SFB successfully sold the first New School Lease-to-Own certificates of participation on January 7, 2003. The transaction closed on January 28, 2003 with the state receiving \$400 million in lease-to-own proceeds. A total of 28 Districts participated in this funding with a total of 48 projects being included. This allowed \$203 million to be reimbursed into the New School Facilities and Deficiency Corrections Funds, and provides the necessary funding for this next year's financial requirements. As a matter of information, the effective blended rate on this 15-year package was 4.14%. Hats off to Mr. John Arnold, SFB Deputy Director of Finance and to the districts that participated in accomplishing this difficult timetable. Thanks to all.

Building Renewal-1st Half FY 03 Building Renewal Distribution

Here is an update on where we are with the 1st half disbursement of the annual Building Renewal. As you know, this year the SFB has been appropriated \$38,274,100 and is planning to distribute \$19,137,050 shortly. A history on this: the SFB is required by law to have a review by the Joint Committee on Capital Review (JCCR) prior to distributing these funds. SFB staff submitted a letter to the Committee requesting that this item be placed on the agenda of the

December JCCR meeting, for review of the first half of the FY 03 building renewal disbursement. JCCR did not place this item on its December agenda, indicating that the new legislature should address this issue. JCCR did not meet in January, and SFB staff has requested that this item be placed on the February JCCR agenda. We plan to disburse \$19,137,050 immediately after the next JCCR meeting, when the required review is complete.

Land Donations and Award Awards

The School Facilities Board continues to receive a significant amount of land donations for new schools and, in cooperation with many school districts, has now received over 970 acres valued at **\$78 million** in donations that have benefited both the State and the individual school districts. As of this date, the SFB has provided over \$15 million in unrestricted capital to districts acquiring donations (the SFB provides the district with 20% of the appraised value of the land). The SFB wants to recognize and thank three developers: Del Webb/Pulte Homes; Fulton Homes; and Sunbelt Holdings, for their donation of land for school sites. While we have received land from over 40 individual entities since 1999, these three stand out for their continued commitment to the educational community. Together, they have donated 269 acres and over \$36 million in land and improvements.

Qwest Update

Qwest continues to work on networking and connecting schools to the Internet all over the state. After a difficult start, the SFB and Qwest have produced a system that will finish the connectivity project by the end of summer 2003. Currently, Qwest has completed and been paid for 484 sites; an additional 141 sites have been completed and inspected, 159 sites are under construction, 518 sites are in design, and 108 sites have an approved plan. If you have questions about your district and the Qwest project, please contact John Woolfenden of the SFB at (602.542.5240).

A very positive note on the technology work is that the SFB has recently received several letters commending Qwest and their work on the networking project. Please continue to write us with your comments and questions so that we can better serve your district.

State Budget Report

Both the Governor and the JLBC (Legislature) budget plans address current needs for both FY 2003 and FY 2004 at the School Facilities Board. Below is a quick summary by program:

Deficiency Correction: Projected Need \$247 million

The Governor's plan recommends covering the shortfall by issuing additional bonds for \$347 million and returning \$100 million of existing deficiency funds to the General Fund. The JLBC plan issues \$247 million in bonds and also takes \$100 million, with the \$100 million being provided and returned in FY 2005. The Legislative plan also extends the end date for the Deficiency program into FY 2005, with a final Program completion date of December 31, 2004.

New Construction: Projected Need: \$250 million

Both plans provide \$250 million in additional lease-to-own authority for new construction. This amount should be sufficient to meet the new construction needs for fiscal year 2004.

Building Renewal: The Governor's plan recommends full funding of the building renewal formula for FY 04. The JLBC plan is recommending no funding for building renewal in FY 04. Both budgets recommend four changes to the Building Renewal formula for FY 2003.

SFB Has Moved

Please be aware that the School Facilities Board is now located in Suite 230 on the second floor of the Capitol Tower. All staff phone numbers and email addresses remain the same.

New Address: School Facilities Board
1700 West Washington Suite 230
Phoenix, Arizona 85007

Upcoming School Facilities Board Meetings**Board Meeting Dates Agenda Deadline Meeting Location**

March 6, 2003	February 12, 2003	Chandler USD
April 3, 2003	March 12, 2003	Litchfield ESD
May 1, 2003	April 9, 2003	Tempe ESD
June 5, 2003	May 14, 2003	Show Low USD